

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Otsego County Fire Board	County Otsego
Fiscal Year End June 30, 2006	Opinion Date October 26, 2006	Date Audit Report Submitted to State December 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

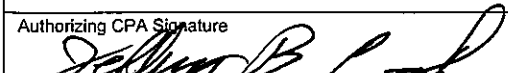
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

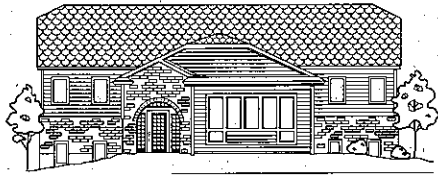
I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None Required	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515	
Street Address 100 West First St		City Gaylord	State MI
		Zip 49735	
Authorizing CPA Signature 	Printed Name Jeffrey B Cook		License Number 11876

OTSEGO COUNTY FIRE BOARD
OTSEGO COUNTY
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2006

**OTSEGO COUNTY FIRE BOARD
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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

October 26, 2006

To the Otsego County Fire Board
Otsego County, Michigan

We have audited the accompanying basic financial statements of the Otsego County Fire Board, Otsego County, Gaylord, Michigan as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Otsego County Fire Board, Otsego County, Michigan as of June 30, 2006, and the respective changes in financial position thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The Otsego Fire County Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

OTSEGO COUNTY FIRE BOARD
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Balance Sheet Modified Accrual</u>	<u>Adjustments (Note B)</u>	<u>Statement of Net Assets - Full Accrual</u>
Assets			
Cash (Note D)	\$ 119,080	\$ -	\$ 119,080
Nondepreciable capital assets, net (Note E)	-	38,455	38,455
Depreciable capital assets, net (Note E)	<u>-</u>	<u>1,352,966</u>	<u>1,352,966</u>
Total assets	<u>\$ 119,080</u>	\$ 1,391,421	\$ 1,510,501
Liabilities			
Accrued payroll	34,380	-	34,380
Total liabilities	34,380	-	<u>34,380</u>
Fund Balance - Unreserved and Undesignated	<u>84,700</u>	<u>(84,700)</u>	
Total liabilities and fund balance	<u>\$ 119,080</u>		
Net Assets			
Investment in capital assets		1,391,421	1,391,421
Unrestricted (deficit)		<u>84,700</u>	<u>84,700</u>
Total net assets		<u>\$ 1,476,121</u>	<u>\$ 1,476,121</u>

See Notes to Financial Statements and Accountant's Report.

**OTSEGO COUNTY FIRE BOARD
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Revenues and Expenditures - Modified Accrual	Adjustments (Note B)	Statement of Activities Full Accrual
Revenue			
Contracts	\$ 292,000	\$ -	\$ 292,000
State grants	3,850	-	3,850
Interest & miscellaneous	8,785	-	8,785
Property taxes	<u>210,279</u>	<u>-</u>	<u>210,279</u>
Total revenue	514,914	-	514,914
Expenditures			
Fire fighting - Wages	64,775	-	64,775
Administration - Salaries	22,500	-	22,500
Payroll taxes	6,994	-	6,994
Repairs, maintenance and contracted services	3,802	-	3,802
Fuel and oil	3,161	-	3,161
Insurance	32,209	-	32,209
Utilities	10,332	-	10,332
Communications and telephone	5,358	-	5,358
Fire fighting supplies	1,526	-	1,526
Office supplies	436	-	436
Vehicle supplies and expenses	18,639	-	18,639
Service contracts	46,922	-	46,922
Education and training	5,408	-	5,408
Professional services	1,000	-	1,000
Capital outlay	246,118	(246,118)	-
Depreciation	<u>-</u>	<u>86,670</u>	<u>86,670</u>
Total expenditures	<u>469,180</u>	<u>(159,448)</u>	<u>309,732</u>
Excess of Revenue Over Expenditures	45,734	159,448	205,182
Fund Balance/Net Assets - Beginning of year	<u>38,966</u>	<u>-</u>	<u>1,270,939</u>
Fund Balance (Deficit)/Net Assets - End of year	<u>\$ 84,700</u>	<u>\$ 159,448</u>	<u>\$ 1,476,121</u>

See Notes to Financial Statements and Accountant's Report.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Otsego County Fire Board (Fire Board) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Fire Board.

REPORTING ENTITY

The Otsego County Fire Board was organized in 1977 by the Townships of Bagley, Chester, Dover, Elmira, Hayes, Livingston, Otsego Lake and the City of Gaylord, all of Otsego County, Michigan. Elmira and Otsego Lake have since disengaged themselves from the Fire Board. The Fire Board operates under a governing body of 13 members referred to as the Otsego County Fire Board. The individual members have delegated board to the Fire Board for operation of the department and maintenance of assets. The Board appoints a Chairman to preside over Board meetings, a secretary to record activities of the Board and a treasurer to pay bills and maintain cash assets. All activities are included under the Fire Board's control and reports are made periodically to each member.

There is an organization known as the Otsego County Fire Department. These financial statements should not and do not reflect any activity or assets of the Otsego County Fire Department.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Board. The board is accounted for in one governmental fund type.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenue – The Fire Board's primary source of revenue consists of contracts with each of its member units. These contracts are based on the member's population and S.E.V. Other revenues include billings for fires extinguished on personal property and interest income. The current year includes tax revenue levied for the purchase of fixed equipment.

Budget – An annual budget is prepared by the management and adopted by the Fire Board prior to the beginning of the fiscal year; subsequent amendments are approved by the Fire Board. Unexpended appropriations lapse at year end. The Fire Board may pass amendments to the budget during the fiscal year by resolution. During the current year, the budget was not amended.

The budget has been prepared in accordance with accounting principals generally accepted in the United States of America. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Board did not incur expenditures (\$469,180) that were in excess of the amounts budgeted (\$502,000).

CAPITAL ASSETS

Capital assets, which include property, buildings, equipment, and vehicles are stated at historical cost and comprehensively reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 – 50 years
Vehicles and equipment	3 – 30 years

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE B – CUSTODY OF ASSETS

All assets are under the control of the Fire Board. Per state statute, the Fire Board may not retain title to any assets and must designate one member as custodian. The City of Gaylord has been designated as the custodial member. The City of Gaylord delegates authority to the Fire Board. The City of Gaylord audited financial statements are located at 225 West Main Street, Gaylord, Michigan 49735.

NOTE C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Fire Board's General Fund differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance.

The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as shown:

Total Fund Equity – Governmental Fund	\$ 84,700
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Amounts reported for in the statements of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>1,391,421</u>
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Total Net Assets – Full Accrual Basis	<u>\$ 1,476,121</u>
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Net Change in Fund Balance – Modified Accrual Basis	\$ 45,734
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Amounts reported fro governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$ 246,118	
Depreciation expense	<u>(86,670)</u>	<u>159,448</u>

Change in Net Assets of Governmental Activities – Full Accrual Basis	<u>\$ 205,18</u>
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**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE D – CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Board has designated one bank for the deposit of its funds. The Fire Board's deposits are in accordance with statutory board.

The Fire Board's cash is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$144,722 of which \$129,554 is covered by federal depository insurance.

NOTE E – FIXED ASSETS

The schedule of changes in general fixed assets is as follows:

	Balance <u>July 1, 2005</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2006</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 38,455	\$ -	\$ -	\$ 38,455
Capital assets being depreciated:				
Buildings and improvements	277,825	-15,200	-	293,025
Vehicles and equipment	1,501,014	230,918	-	1,731,932
Subtotal	1,778,839	246,118	-	2,024,957
Accumulated depreciation:				
Buildings and improvements	133,311	6,692	-	140,003
Vehicles and equipment	452,010	79,978	-	531,988
Subtotal	585,321	86,670	-	671,991
Net capital assets being depreciated	1,193,518	159,448	-	1,352,966
Net capital assets	<u>\$1,231,973</u>	<u>\$ 159,448</u>	<u>\$ -</u>	<u>\$ 1,391,421</u>

NOTE F – CONTRACTS

There is an organization known as the Otsego County Fire Department. These financial statements do not reflect any activity or assets of the Otsego County Fire Department. The Board contracts with the Otsego County Fire Department for firemen.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE G – RISK MANAGEMENT

The Otsego County Fire Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees, and natural disasters. The Otsego County Fire Board participates in the Michigan Municipal Liability and Property pool, a self-insured group. The pool is considered a public entity risk pool. The Otsego County Fire Board pays annual premiums to the pool for the respective coverage. In the event a pool's total claims and expenses for a policy year exceed the normal annual premiums for said years, all members of the pool's policy may be premiums subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying, depending on the specific type coverage of reinsurance. The Otsego County Fire Board has not been informed of any special assessments. There were no significant claims for the year, nor were there any significant changes in coverage. The Otsego County Fire Board carries commercial insurance for other types of loss.

NOTE H - FUNDING

The board is financed each year by the participating municipalities. This funding represents virtually all of the Board's revenue. Consequently the Board's ability to provide service is dependent upon the continuing support of those entities.

REQUIRED SUPPLEMENTAL INFORMATION

**OTSEGO COUNTY FIRE BOARD
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Contracts	\$ 292,000	\$ 292,000	\$ 292,000	\$ -
State grants	-	-	3,850	3,850
Interest & miscellaneous	-	-	8,785	8,785
Property taxes	<u>210,000</u>	<u>210,000</u>	<u>210,279</u>	<u>279</u>
Total revenue	<u>502,000</u>	<u>502,000</u>	<u>514,914</u>	<u>12,914</u>
Expenditures				
Fire fighting - Wages	94,000	94,000	64,775	(29,225)
Administration - Salaries	22,500	22,500	22,500	-
Payroll taxes	8,500	8,500	6,994	(1,506)
Repairs, maintenance and contracted services	6,000	6,000	3,802	(2,198)
Fuel and oil	3,500	3,500	3,161	(339)
Insurance	35,000	35,000	32,209	(2,791)
Utilities	12,000	12,000	10,332	(1,668)
Communications and telephone	3,500	3,500	5,358	1,858
Fire fighting supplies	10,000	10,000	1,526	(8,474)
Office supplies	2,000	2,000	436	(1,564)
Vehicle supplies and expenses	15,000	15,000	18,639	3,639
Service contracts	15,000	15,000	46,922	31,922
Capital outlay	240,000	240,000	246,118	6,118
Education and training	3,000	3,000	5,408	2,408
Professional services	2,000	2,000	1,000	(1,000)
Contingency	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total expenditures	<u>502,000</u>	<u>502,000</u>	<u>469,180</u>	<u>(32,820)</u>
Excess of Revenue Under Expenditures	-	-	45,734	45,734
Fund Balance - Beginning of year	<u>38,966</u>	<u>38,966</u>	<u>38,966</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 38,966</u>	<u>\$ 84,700</u>	<u>\$ 45,734</u>

See Notes to Financial Statements and Accountant's Report.

INDEPENDENT AUDITOR'S REPORT

October 26, 2006

To the Otsego County Fire Board
Otsego County, Michigan

We have audited the accompanying basic financial statements of the Otsego County Fire Board, Otsego County, Gaylord, Michigan as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Otsego County Fire Board, Otsego County, Michigan as of June 30, 2006, and the respective changes in financial position thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The Otsego Fire County Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

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